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BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

COMPLETED

DOD's Industrial Preparedness Program Needs National Policy To Effectively Meet Emergency Needs

The Department of Defense's Industrial Preparedness Planning Program is to make sure U.S. industry can respond to wartime needs for military items. However, despite repeated study, this program has remained in a state of disarray for the past several years. The current program has limited funds and a low priority, and it is ineffective.

Failure to adequately plan with industry may hinder U.S. ability to meet defense needs.

GAO recommends that the Congress, in coordination with the executive branch, establish a national policy to define industrial base expectations. The Secretary of Defense should restructure the program to complement it.

SUMMARY

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COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

DOD'S INDUSTRIAL PREPAREDNESS PROGRAM NEEDS NATIONAL POLICY TO EFFECTIVELY MEET EMERGENCY NEEDS

D I G E S T

The Department of Defense (DOD) is responsible for assuring that sufficient industrial capacity exists to meet potential wartime needs for defense systems, equipment, and component parts. DOD's Industrial Preparedness Planning Program was developed to satisfy this responsibility. Many organizations, including GAO, have found it to be ineffective. DOD has reevaluated the program, but no significant improvement has resulted to date.

Industrial preparedness is closely tied to important planning assumptions, including warning time, conflict duration, and other essential factors, such as availability of strategic and critical materials, energy, transportation, and skilled people. (See pp. 7 to 13.)

DOD guidance has emphasized programs designed to enhance initial combat capability. Because there is doubt about the Industrial Preparedness Planning Program's ability to significantly contribute to initial combat capability, a low priority has been given to the program. (See pp. 13 and 14.)

Initial combat capability is important, but failure to plan adequately with industry may mean that the United States can only fight a short war because no other program exists to bridge the gap between initial combat capability and war materiel needs should U.S. involvement become prolonged. In fact, huge gaps exist between when military stocks will be exhausted and when production will equal needs. (See pp. 13 to 18.)

Two essential elements of DOD's program--item selection and requirements determination--are done differently by each service and are often not done well. Industry's participation in the DOD planning program has been voluntary and unfunded for many years. (See pp. 19 to 26.)

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Planning information received from industry sources is incomplete and unreliable because prime contractors generally base their production schedules on inadequate analyses and unrealistic assumptions regarding adequacy of subcontractor support and availability and adequacy of Government-furnished equipment, raw materials, and skilled labor. (See p. 26.)

Many industry sources do not identify production enhancement measures as part of their planning because they are not reimbursed for the costs of developing this information. Others have identified enhancement measures, but the services generally have not had the funds to implement the measures. Further, in some cases, planners have discouraged contractors from identifying enhancement measures because of personnel constraints and lack of funds. (See p. 28.)

Since industrial preparedness information about production response capabilities could be used to offset the need to procure and stock items, the DOD communities' lack of management attention to the program may be resulting in lost opportunities to reduce war reserve stockage requirements. Trade-offs between industrial production capability and reserve stockage requirements are not being made even though available information indicates these trade-offs might provide economic benefits. (See pp. 29 to 30.)

Many program improvement initiatives now being proposed by DOD had also been proposed during GAO's last review. But many have not been implemented or have been implemented on a small scale due to lack of funds.

DOD has continually given the Industrial Preparedness Planning Program a low priority and has provided limited funds. However, in view of the current threat, limited options, and risks associated with an unresponsive base, a national policy is needed to define industrial base expectations.

RECOMMENDATIONS

GAO recommends that the Congress, in coordination with the executive branch, establish a clearly defined and comprehensive national policy regarding industrial preparedness.

Hearings should be held to develop this policy. This policy should address

--what is expected of the industrial base and

--what can be invested to achieve these expectations.

Once this national policy is established, the Secretary of Defense should restructure the program to complement the policy.

In the meantime, the Secretary of Defense should clearly define the

--circumstances that the industrial base is expected to be responsive to and the role it will play in each and

--priority and funding availability for industrial preparedness planning in relation to other DOD and service branch programs.

The Secretary should also ensure that:

--Service planning efforts interface with other DOD programs to assure continuity of support over the planned period.

--Service branch planning efforts are scaled to what can be accomplished realistically within assigned priority and available funds, considering either

  --substantially limiting the number of individual items planned or

  --limiting indepth planning to a few vital items while using studies of key industrial sectors to identify potential mobilization problems.

AGENCY COMMENTS

On February 24, 1981, DOD provided oral comments on this report. DOD generally agreed with GAO's findings, conclusions, and recommendations. DOD agreed that the Industrial Preparedness Planning Program has been given a low priority and, as a result, is ineffective. DOD said that:

--It is working to improve the program and related resource allocations.

--The program has recently been included in the Defense System Acquisition Review Council process.

--The system, equipment, and item program managers have been given responsibility for carrying out the program.

GAO did not verify the extent to which the services had implemented these recent changes or evaluate the potential effect of these changes on program operations.

DOD agreed that a national policy about industrial preparedness is needed and said that the lack of such a national policy must be addressed by the Congress and the National Security Council. DOD also said that the program needs to be supported at high levels within DOD if it is to become fully supportable and viable.

Finally, DOD said that maintaining the capacity of the industrial base to respond to military contingencies is a major element of U.S. strength and deterrence.

On April 3, 1981, DOD provided written comments which generally confirmed the earlier oral positions. These written comments are included as appendix I.

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ABBREVIATIONS

DOD	Department of Defense
GAO	General Accounting Office